

NEXUS AFRICA

The Bulletin of the U.S. Information Service

Vol.2, N^o.2

April 1996

SUPPORT FOR DEMOCRACY AND THE U.S. NATIONAL INTEREST

In a speech last March to the Carnegie Endowment for International Peace, Deputy Secretary of State Strobe Talbott noted that democratization is, by definition, not revolutionary but evolutionary. No society can transform the way it governs itself overnight. Even with the support of the United States, it will take decades or even generations for many emerging democratic nations to make the transition.

By Strobe Talbott

My topic this afternoon is support for democracy as a factor in American foreign policy and as a means of advancing our national-security interest abroad. Of course, it is not the only such factor. Democratization is part of a much broader, complex, drawn-out, often painful and erratic process of political, social and economic transformation. But it is nonetheless a crucial component of that larger process.

Isaiah Berlin, in his famous essay on Tolstoy, made much of the contrast between the fox, "who knows many things," and the hedgehog, "who knows one big thing." Sir Isaiah was distinguishing between those, on the one hand, who try to relate everything to a single, universal organizing principle, and those, on the other, who are

comfortable with the full range of human experiences and interests, with all its disorder and diversity and internal contradictions.

At first glance, American foreign policy in the post-Cold War era seems best suited to the fox. Rather than focusing on a single, overriding goal — such as the containment of Soviet communism — we now face a wide variety of often competing economic and security concerns that require our active, constant and simultaneous attention.

To mention just the most obvious and pressing of those: Our prosperity depends on our ability to create opportunities for international trade and investment. Our health and safety depend on our success in countering transnational threats like environmental degradation, terrorism and the proliferation of nuclear, chemical and bio-

— turn to page 8

1

SUPPORT FOR DEMOCRACY AND
THE U.S. NATIONAL
INTEREST
By STROBE TALBOTT

2

AFFIRMATIVE ACTION: TWO VIEWS
By JESSE L. JACKSON AND
ARMSTRONG WILLIAMS

6

GLOBAL FUND MANAGERS MAKE
TRACKS FOR AFRICA
By JEFFREY GETTLEMAN

7

AFRICA ONE: LINKING AFRICA TO THE
INFORMATION SUPERHIGHWAY

11

ALBRIGHT ENCOURAGES POLITICAL
SOLUTIONS IN AFRICA
By GEORGE MOFFETT

12

CORRUPTION, GOVERNMENTAL
ACTIVITIES, AND MARKETS
By VITO TANZI

15

AID DOESN'T HELP POOR NATIONS
By BRYAN JOHNSON AND
THOMAS SHEEHY

16

AFRICA: AN EMERGING
SUCCESS STORY
By GEORGE MOOSE

19

REFLECTIONS ON
DEMOCRATIZATION IN AFRICA
By JOHN W. HARBESON

20

IN AFRICA, WRITING IS NOT FOR THE
FAINT-HEARTED
By JUDITH MATLOFF

AFFIRMATIVE ACTION :

Jesse Jackson, civil rights leader and head of the National Rainbow Coalition, argues that affirmative action is still the only mechanism that has proven truly effective for achieving equal opportunity in American workplaces and universities. Armstrong Williams, a Washington, D.C., business executive, talk show host, and writer, argues that “as permanent public policy, affirmative action affirms the stereotype that ethnic and racial minorities can never compete on an equal playing field with other Americans.”

AFFIRMATIVE ACTION : IT BENEFITS EVERYONE

By Jesse L. Jackson

From *The World & I*

In the tradition of its predecessors, busing and law and order, the issue of affirmative action has become the operative buzzword for racial politics in the 1996 presidential campaign season. While we know that most Americans have benefited from affirmative action programs — Latinos, Asian Americans, Native Americans, African Americans, veterans, the disabled, and women of all races and ethnic backgrounds — current political rhetoric has forced a black face on the issue. This is not only inaccurate but also intellectually dishonest and manipulative.

From statehouses to the halls of Congress, politicians who until very recently lauded the benefits of affirmative action have now commenced a full frontal assault on such programs, the only mechanism proved truly effective for achieving equal opportunity in American workplaces and universities. Senate Majority Leader Bob Dole was right in 1986 when he led the bipartisan fight to maintain the Nixon administration's policy of goals and timetables in the face of Ronald

Reagan's attempts to dismantle it.

Americans are anxious. Our fears, while real and justified, are being dangerously misdirected. Politicians who once supported affirmative action as an effective way to level the tilted playing field now would have America believe that affirmative action is at the root of our economic distress. Our jobs have not gone from white to black and brown, from men to women. What workers really feel is the pain of the globalization of the economy.

Opponents of affirmative action would have us turn a blind eye to the past, opting for a scorched-earth approach to history. After 250 years of slavery, 100 years of apartheid, and 40 years of discrimination, we cannot burn the books and start anew at this point by instituting a “color-blind” code of justice.

No Race Neutrality

Race- and gender-conscious programs were crafted precisely because individuals were discriminated against, historically and currently, because of their race or gender. We must not strive to be race neutral. We must work toward a race-inclusive and race-caring society.

The unbroken record of race and gender discrimination warranted the legal remedy of affirmative action. When we consider what true repara-

tions for past discrimination entail, merely equalizing the laws of competition by leveling the playing field is indeed a conservative form of redress.

Our legal history is replete with the cancer of racism — from the 1857 Dred Scott decision, maintaining that blacks, at three-fifths human, had no rights whites were bound to respect, to the 1896 Plessy v. Ferguson's “separate but equal” mandate of apartheid. The 1954 Brown v. Board of Education decision was an effort to heal race cancer with “race cure,” to fight exclusion with race inclusion. Title VII of the 1964 Civil Rights Act outlawed discrimination by mandating negative action to offset negative behavior. In 1965, President Lyndon B. Johnson recognized that positive, or affirmative, action was necessary to overcome the vestiges of a discriminatory past.

The current political debate over affirmative action has been based on myth and anecdote rather than data and facts. Despite typical claims, affirmative action is not quotas or preferential treatment of the unqualified over the qualified. It does not demean merit and is not reverse discrimination.

Contrary to popular opinion, affirmative action does not require quotas. Unless a court imposes them, quotas are illegal. Quotas are used only as a last resort to remedy a manifest imbalance in a company's workforce or to compensate for a widespread and persistent pattern of discrimination. All a company must do is prove that it has made a “good-faith effort” to meet flexible goals, targets and timetables that have been established to diversify

TWO VIEWS

its pool of applicants, ensuring that women and people of color are included in the hiring or promotion pool.

Courts may also act affirmatively to root out more subtle forms of discrimination. If a court finds that qualified women and people of color are not sufficiently chosen from the wider pool of applicants, it may impose a quota to bring the employer up to the level of a nondiscriminating employer.

In university admissions, race may be one of several factors that admissions officers use in creating a diverse student body — a benefit that serves all of its students. The Supreme Court has definitively outlawed the use of rigid numerical quotas, while it affirmed the consideration of race and gender along with special talent, geographic origin, athletic ability or legacy status.

Affirmative action does not mandate reverse discrimination. These policies merely require women and people of color to be included in the applicant pools of universities, workplaces and unions. If an unqualified applicant is hired or promoted over a qualified one in the name of diversity, this is discrimination, and it is actionable in court just as it is under all other circumstances.

A recent Rutgers University study commissioned by the Department of Labor found that a majority of claims of reverse discrimination were brought by disgruntled job applicants who were determined by courts to be less qualified than the successful woman or per-

son of color who received the job or promotion. Reverse discrimination is not only illegal; it is rare. Less than 2 percent of the 90,000 employment discrimination cases before the Equal Employment Opportunity Commission are reverse discrimination cases.

White men form 33 percent of the population and 48 percent of the college-educated workforce. Yet, they constitute 80 percent of the tenured professors, 80 percent of the House of Representatives, 86 percent of the

validated by divisive political tactics.

Many opponents concede that our discriminatory past necessitated the need for positive affirmative steps to root out this pervasive evil, yet today they have come to the irrational conclusion that after 30 years on the books, these policies are no longer necessary. History demonstrates that when these policies were enforced as they were during the 1970s, the employment of women and people of color increased dramatically. These gains, however,

were offset by the assaults on affirmative action during the Reagan-Bush era.

To say that affirmative action is no longer necessary is to ignore the clear evidence of present-day racism and sexism. The Department of Labor found that women in the largest corporations hold less than 5 percent of top management posts, while African Americans, Latinos and Asian Americans hold less than 1 percent of these positions. White

males hold 95 percent of these jobs.

The Urban Institute has documented the rampant nature of discrimination in the workplace. Sending equally qualified African Americans and whites to apply for the same jobs, they found that in nearly one-quarter of the cases, whites moved further through the hiring process than blacks. The Institute likewise found that whites received 33 percent more of the interviews and 52 percent more job offers than equally qualified Latinos. Even when African




partners in major law firms, 88 percent of the management-level jobs in advertising, 90 percent of the top positions in media, 90 percent of the officers of major corporations, 90 percent of senators, 92 percent of the Forbes 400, 97 percent of school superintendents, 99.9 percent of professional athletic team owners, and 100 percent of U.S. presidents. It is clear that the notion of the "angry white male" is not grounded in reality. Rather, it is an error in perception that has been wrongfully

Americans and Latinos are hired, they are promoted and paid less.

We cannot fall prey to the destructive tactic of “divide and conquer” for the sake of political expediency. Affirmative action has not only benefited those who have been historically locked out; it has benefited our nation

as a whole. Two-income-earner households have enabled American families to provide for their children. Race- and gender-inclusive policies turn tax consumers into tax producers. A diversified corporate America is better able to compete in this increasingly globalized economy. Let us not be

misled: Increasing the employment opportunities for a majority of Americans is good for the nation and good for our future. 

Jesse L. Jackson is currently head of the National Rainbow Coalition. He has been active in civil rights issues since the late 1960s.

AFFIRMATIVE ACTION: LET'S GET RID OF IT

By Armstrong Williams
From *The World & I*

Imagine, if you will, a time when advertisements for jobs might say “Whites encouraged to apply.” Imagine the time when simply being white could get you into college outside all considerations of intellectual achievement or athletic ability or any other talent or merit you might possess. Imagine the time of the old-boy network, when you could get a city contract because you were a part of it, even though someone else might offer a lower bid.

Those were the days of Jim Crow. It is also the story of today's “affirmative action.” All of the above-mentioned instances have occurred many times over the past 20 years, and there is no dispute about that fact. The controversy is over whether a few years of affirmative action alleviates the many years of Jim Crow laws and the centuries of slavery before that. The answer to that question is no, it does not compensate for those injustices.

No amount of either retribution or special assistance will eradicate those injustices. They are indelibly etched in America's past. The question remains: Will they remain a part of our future?

I want to make clear that I am not saying that the magnitude of racial discrimination inherent in affirmative

action is comparable to the days of Jim Crow. The effect of affirmative action is minor compared to the discrimination that blacks faced in racially segregated America prior to the 1960s. Blacks were treated as inferior and as second-class citizens. They were deprived of basic civil rights and often of human dignity.

What I am saying, though, is that, in principle, the legal incorporation of race into decisions regarding jobs, promotions, contracts or school enrollment is the same. Making judgments based on race is racism, any way you want to try to cover it over. I disagree with affirmative action on principle for the same reason I disagree with Jim Crow laws, or, for that matter, slavery.

One could perhaps overlook the race consciousness of affirmative action programs if they were working as a temporary help for a downtrodden minority, but affirmative action programs have been neither temporary nor helpful. What was designed to be a temporary breach in a racially hostile society devolved into a system of permanent bureaucratic racial set-asides.

As a permanent system, it undermines the earned successes of hard-working ethnic minorities or women, while its presumptions offer a ready excuse for those who do not wish to earn their way through effort. As permanent public policy, affirmative action affirms the stereotype that ethnic and racial minorities can never

compete on an equal playing field with other Americans. The special rights the black leadership perpetually tries to legislate are admissions that we are not equal — an admission, quite frankly, that I am not prepared to make.

Further, affirmative action has not advanced the interests of black Americans as a class. It certainly has benefited some: usually, white, middle-class women and elite blacks who need it least. Studies indicate that affirmative action has moved employed blacks around in the labor pool but has not lowered the black unemployment rate.

Further, affirmative action in university admissions has resulted in graduation rates among black students that are almost half those of other students. Universities are interested in having black bodies on campus, but those students are often not completing their education. Some analysts believe that the racial double standard for admitting minority students does more harm than good.

So we have with affirmative action the worst of all possible worlds: a morally abhorrent policy that is utterly failing to achieve its objective. It fails the test of both principle and pragmatism. We are creating special racial tribes that destroy any sense we have of a unified American nation. The ultimate irony: The more race-based laws we enact, the less real justice we will enjoy and the less real progress we will make, because all our achievements will appear unearned.

Some argue that many people have benefited from affirmative action. Perhaps, but many also benefited from slavery and its effects. Their descendants have to live with that guilt. Can

we tolerate a policy that confers guilt upon our children for sins that are not their own? The answer is, unequivocally, no.

It Is Not Civil Rights

Nevertheless, affirmative action originated from a legitimate need. Supporters of affirmative action point to a history of truly grotesque treatment of our African-American forebears and to the lagging earnings and participation in top professions among minorities today. Opponents cite the double standards and inherent unfairness of the set-aside programs, as well as the regressive usage of race as a criterion for higher-education enrollment, hiring, promotions, and contracts and grants. Both sides have some legitimate concerns.

People often speak of affirmative action as though it were a natural part of the civil rights movement and consistent with the movement's aims. To avoid confusion and unnecessary friction, I think it is important to draw some crucial distinctions here. Many people confuse affirmative action with civil rights; they are afraid that legal civil rights protections won during the 1960s would be lost by rejecting affirmative action. Others equate affirmative action with the quotas and preferential treatment it has become today.

Affirmative action originally was not necessarily either of these things. It was never supposed to embody reverse discrimination. The original civil rights legislation in 1964 contained a section known as Title VII, which is the basic employment statute prohibiting discrimination on the basis of race, color, religious origin or sex. The bill's principal sponsor in the Senate, Hubert Humphrey, famously said upon its passage that he would physically eat the bill if it was ever used to discriminate against anyone on the basis of color. These laws are not affirmative action but basic civil rights protections against discrimination.

Over the years, the courts began to make exceptions for what could be called "remedial" affirmative action, compensating individuals for specific

acts of discrimination, especially racial discrimination, which was then still a common occurrence. They offered what is termed "make whole" relief, placing the party discriminated against in the position he would have otherwise been in had there not been discrimination. The courts could restore pay, promotions, or other benefits that had actually been denied. Today's debate does not address this kind of affirmative action, which amounts to eminently fair restitution. Today's debate about affirmative action centers on something beyond that. In the 1970s, courts began ruling that statistical disparities in enrollment or the workplace could be used to help determine whether discrimination had occurred. Businesses then could be presumed guilty by race-based head count and forced to prove their innocence of discriminatory practice. Also, courts ruled that tests or requirements with a "disparate impact" on applicants by race could be considered discriminatory. This applied even to hiring criteria that although not designed to discriminate might have that effect, like requiring a high-school diploma.

Real Affirmative Action

Though the Supreme Court undercut some of these later developments in subsequent decisions, they were fully restored in the 1991 Civil Rights Act, which was first called a "quota bill" and then signed by President George Bush.


Real affirmative action was to open opportunities where doors had been shut — and make no mistake, doors have been shut in the faces of blacks throughout America's history. There should be proper redress of grievances. There should be active recruiting of qualified minorities. I wholeheartedly support a ban on discrimination, as well as legal recourse to "make whole" those who have been hurt by actual instances of discrimination. That sort of affirmative action is designed to eliminate racial considerations and punish discrimination. Those laws were very necessary to protect minori-

ties, especially blacks in the 1960s.

Yet, I just as wholeheartedly oppose quota-oriented affirmative action based on color-conscious head counts, which reinstate race-based judgments for hiring and admissions. There is a world of difference between the two — in fact, the two approaches are opposite in spirit. Preferring minorities, strictly on the basis of race, over other Americans equally or better qualified for jobs, advancements and schools is the antithesis of the American ideal of equality and Martin Luther King's "dream."

As a short-term remedy for racism, it was argued, affirmative action had some merit. It was supposed to be a temporary fix to help the first group of disadvantaged blacks get a shot at equal opportunity with a little boost. As a permanent institution, affirmative action is patronizing, degrading and self-defeating. Federally legislated "goals and timetables," (that is, quotas) will do far less for advancing minorities than they can do by proving themselves in open competition. Excellence would eradicate all the stigmas that attach to minorities or women through racism or sexism and that are furthered by affirmative action.

While recognizing the realities of a racist history, we must address it without merely instituting a different shade of the same race-based laws and judgments. We must put the injustices of our past behind us without erecting new injustices in their place.

Americans need policies that promise more progress than affirmative action has delivered. Affirmative action helps a few, but its overall effect is to hurt the groups it is designed to aid. It helps some in the short run through unjustly hurting others. That inherent unjustness, in turn, aggravates already tense race relationships. Worst of all, affirmative action subverts the only really functional and morally acceptable criterion for judging anything or anyone: merit. 

Armstrong Williams is a Washington, D.C., business executive, talk show host and writer; his new book is Beyond Blame: How We Can Succeed by Breaking the Dependency Barrier.

GLOBAL FUND MANAGERS MAKE TRACKS FOR AFRICA

Africa is beginning to attract large-scale investment, and is earning itself a reputation for healthy returns. Over the past 12 months, investors in the continent's emerging markets have seen their outlays grow by 40 per cent. And the action isn't all in South Africa.

By Jeffrey Gettleman
From *The Financial Times*

Ms. Marianne Hay is so bullish about Africa that she has invested a third of her personal savings in African markets.

"The region has just finished making the necessary changes that other emerging markets underwent years ago," said Ms. Hay, manager of the \$250 million Morgan Stanley Africa Investment Fund, the largest specialist fund on the continent.

Africa, usually associated with debt, disease and disaster, is now earning itself a name for healthy returns for foreign investors. Over the past 12 months, investors in the continent's emerging markets have seen their outlays grow by 40 per cent.

Africa is considered the final frontier of the world's emerging markets. In 1993, only 4 per cent of emerging market portfolios flowed to the region. But after South Africa's transition to democracy in April 1994, and a wave of market reforms in many neighboring countries, Africa's investment climate is becoming much more hospitable.

Today fund managers, eager to diversify their portfolios and aware of the shrinking gains from more mature emerging markets, are attracted to Africa. More money flowing to the region has increased activity on the region's bourses and improved local business practices. "The presence of Africa funds means big chunks of money are out there which provide incentives for privatization and put

pressure on governments to improve their policies," said Mr. Kader Allaoua, senior economist at the International Finance Corporation in Washington, the private sector arm of the World Bank.

Within the past two years, 12 institutions have formed Africa funds worth nearly \$1,000 million. Most of the funds are close-ended, listed on stock exchanges in London and New York and aimed at large institutions which can bear the high risk usually associated with emerging markets. However, a few of the unlisted funds, such as the \$9 million Credit Suisse South Africa Fund, offer individuals a chance to invest as little as \$1,600.

On average Pan Africa funds have at least 30 per cent of their investments in markets outside of South Africa and a number of funds such as the \$40 million Framlington West Africa Growth Fund have been launched to invest exclusively in the region's smaller markets.

According to Mr. Miles Morland of Blakeney Management which specializes in research on Africa and the Middle East, the first wave of Africa funds created in early 1994 concentrated heavily on South Africa. But this had changed recently and the split was now 65/35 in favor of other African markets.

He believes South Africa's share will continue to decline over the next two years as interest in other African markets continues to grow.

While many of the world's emerging markets were still queasy in 1995 from the so-called tequila effect of Mexico's financial crisis in December 1994, fund managers point out that

African markets surged, with gains exceeding 100 percent in dollar terms in Nigeria and Ivory Coast.

Until recently, the majority of Africa's 16 stock markets were closed to foreigners, while many of the largest companies were government-controlled. But at the same time as foreign investment restrictions were being abolished over the last three years, hundreds of state-owned enterprises were privatized. That allowed foreign investors to snap up stakes in African companies at attractive prices.

This year will be another big year for new issues: Kenya Airways, the largest airline in East Africa, is scheduled to have a public listing in April following a deal signed with KLM; and Zambia Consolidated Copper Mines, one of the world's largest copper producers, is intended to be privatized later in the year.

"African governments are beginning to realize that equity can be a great way to raise money," said Mr. John Niepold, manager of the Washington-based \$65 million Africa Emerging Market Fund. "The region is finally starting to follow the rest of the world, and investment attitudes are changing."

Fund managers like Mr. Niepold are not only banking on this change, they are helping ensure that it happens. The absence of custody used to be the biggest impediment for foreign investment in Africa: the Securities and Exchange Commission requires managers of U.S.-registered funds to use custodial banks like State Street of Boston to safe-keep certificates of ownership for overseas equity settlements.

"We've pushed custodial banks very

hard, and because of us, there's now custody in all African markets," said Mr. Niepold. Africa funds have also helped improve liquidity in markets attractive to fund managers such as Botswana, Ivory Coast, Mauritius and Zimbabwe. In Harare the volume of trading has increased by 400 per cent since the bourse opened to foreigners in June 1993. Today Africa funds account for 60 per cent of the \$63 million of net foreign investment, according to information from consultancy Fund Research and the Zimbabwe stock exchange. "Because they don't hold on to stocks as long as locals, fund managers are making this market much more liquid," said Mr. Savvas Kyriakides, a Harare stockbroker.

The presence of foreign funds is reinvigorating not only African finance but also African business. "Fund managers demand up-to-date, accurate corporate reporting and as a result, disclosure has been rapidly improving," said Christopher Hartland-Peel, a London-

based specialist on African markets.

Local brokers, who previously provided little or no market analysis, are also reforming the way they do business, said Mr. Kofi Bucknor, executive director for Africa at Lehman Brothers, the U.S. investment bank. "African brokers are becoming a much more professional community, providing us with useful research," he said.

The impact of Africa funds is not limited to the private sector: government macroeconomic policy in Africa seems to be yielding to the influence of foreign investment.


"The presence of Africa funds is helping increase the pressure on African governments to produce sound economic policies," said Mr. Kader Allaoua, the IFC economist. However, volatile exchange rates and rising inflation remain concerns.

Foreign funds of \$1,000 million cannot be expected to cure Africa's financial ills, and reform must continue, said Mr. Michael Power, Barings'

global strategist. "Political instability, exchange rates and illiquid markets are still big risks for foreigners," he says.

Zimpapers, Zimbabwe's national newspaper publisher, is an example of that illiquidity. Its value increased by 141 per cent in 1995. Because of the lack of share activity, however, an investor would be unlikely to be able to purchase more than 200,000 shares, worth less than \$100,000, without driving the price up. And then he might well be unable to sell the shares for months, according to one local broker.

"The pickings are lean," said Dr. Mark Mobius, who manages \$7,000 million of worldwide funds for Templeton, and recently returned from a bargain-hunting trip to the continent. "But all the signs of reform have been encouraging, and now's a good time to look for deals in African markets."

Mr. William Murungu, of Discount Securities in Nairobi, agrees. "If foreigners come today, I can't see them making losses here." 

AFRICA ONE: LINKING AFRICA TO THE INFORMATION SUPERHIGHWAY

The huge U.S. telecommunications corporation AT&T will begin work this year on an undersea fiber optic cable system that will ring the continent of Africa.

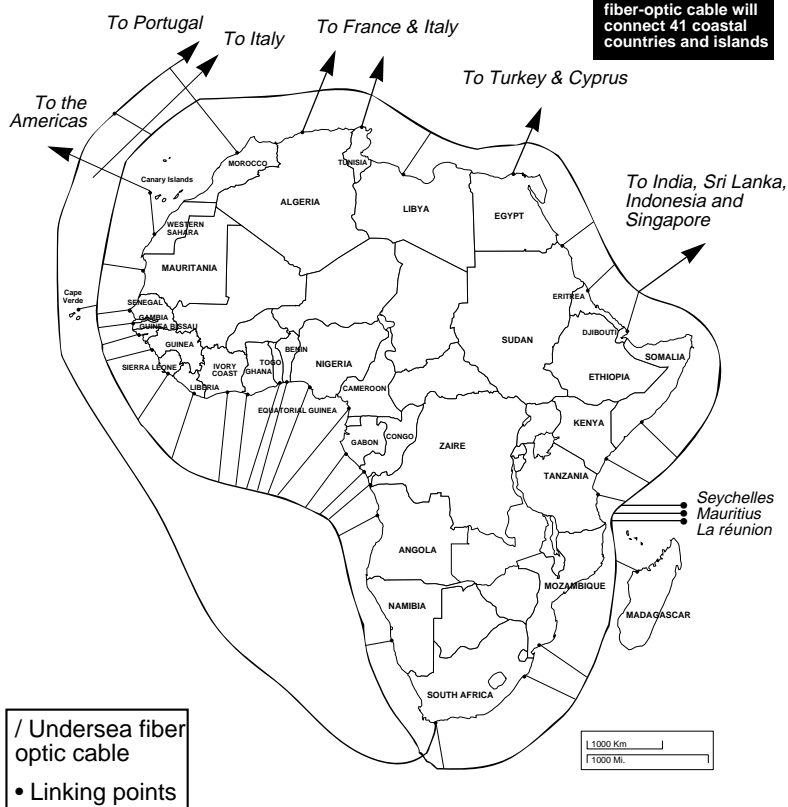
Africa ONE will use fiber optic technology based on the most advanced systems available in the world, and it will be completely compatible with the telecommunications technologies existing within the continent.

AT&T, through it's subsidiary AT&T Submarine Systems, will be working with Alcatel Submarine Networks, a subsidiary of the French communications giant. Also involved will be RASCOM, the regional African satellite communications organization, whose 40 member African countries have signed a charter to manage regional telecommunications for all of Africa, including the establishment of a regional African satellite system. AT&T has also signed a Memorandum of Understanding with PATU, the telecommunications agency of the Organization of African Unity. These organizations will work to see that African ONE complements existing and planned African telecommunications systems.

The project, which consists of a 32,000-kilometer fiber-optic cable, will support a full range of services for all countries on the continent, including standard voice, data and facsimile services; video teleconferencing; computer-aided design; electronic document interchange; and electronic mail. It is scheduled for completion in 1999.

The cabling of Africa

35.000km undersea fiber-optic cable will connect 41 coastal countries and islands



SUPPORT FOR DEMOCRACY AND THE U.S. NATIONAL INTEREST

— from page 1

logical weapons. Our security requires constructive relations with the other great powers — our long-standing allies in Western Europe and Japan, as well as our former adversaries in Russia and China. At the same time, we must contend with threats posed by rogue states and failed states, as well as with regional conflicts, from the Balkans to Central Africa to the Persian Gulf to the Korean peninsula.

Nevertheless, there is still a place for the hedgehog in the terrain of U.S. foreign policy. We will advance all the objectives I just enumerated, and others as well, if we also strengthen associations among established democracies and support the transition to democracy in states that are emerging from dictatorship or civil strife. Democracy, in short, is the one big thing that we must defend, sustain and promote wherever possible, even as we deal with the many other tasks that face us.

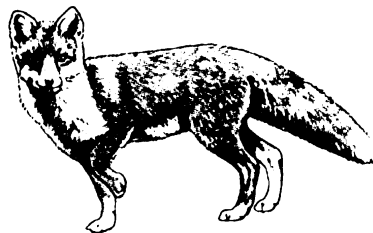
This is, of course, not a new theme in American foreign policy. Far from it. It is time-honored and bipartisan. Support for democracy goes back not just to Truman's rationale for the Marshall Plan and Franklin Roosevelt's for Lend-Lease and Woodrow Wilson's Fourteen Points, but also to Henry Clay's American System and Thomas Paine's aggressive defense of "The Rights of Man."

When American soldiers and sailors went off to fight in this century's two World Wars, they knew they were going to defend American ideals as well as American interests. The

Cold War, too, was, at its core, not just about the international behavior of states — it was also very much about competing visions of the relationship between the individual citizen and his or her government.

While NATO has proven to be the most successful military alliance in history, it is also the most successful democratic alliance. And the Cold War finally ended because there were proponents of democracy on both sides of what used to be the Iron Curtain.

Today, there is around the globe



The fox, "who knows many things."

Rather than focusing on a single, overriding goal — such as the containment of Soviet communism — we now face a wide variety of often competing economic and security concerns that require our active, constant and simultaneous attention.

more grass-roots support for democracy than at any other time in human history. In part this is because of modern communications. The Soviet communist system collapsed not just because it was contained by military power but also because it was penetrated and subverted by information and ideas. Even the most heavily fortified borders became increasingly permeable first to radio, then to television and eventually

to the interactive influences of telefax and e-mail. Contrary to George Orwell's prediction for 1984, the technological revolution weakened Big Brother rather than strengthening him.

The demise of Soviet-style communism has created an historic opportunity for the United States to forge and lead a global coalition based on, and in support of, democratic principles. Over the past two decades we've made genuine progress in that regard. Jimmy Carter institutionalized support for human rights in the State Department by creating a bureau dedicated to their promotion and defense. Among its other contributions, the Reagan administration played a crucial role in easing out Ferdinand Marcos and making way for "people power" in the Philippines during the last week of

February 1986, almost exactly 10 years ago. George Bush responded to the fall of the Berlin Wall with a series of initiatives intended to assure the emergency of "a Europe whole and free."

President Clinton has made it a priority of his presidency to nurture political reform throughout Central and Eastern Europe and the former Soviet Union, where two dozen countries are struggling with varying degrees of success, to overcome decades of totalitarian rule; Latin America, Africa, and South Asia, where a generation of emerging democracies is working to undo the damage caused by military regimes, presi-

dents-for-life, and other forms of despotism; in the Middle East, where advocates of peaceful political change are bravely confronting those who resort to terrorism and assassination; and in East Asia and the Pacific, where the citizens of newly industrialized nations are increasingly asserting their political rights.

We are doing all of this for the reason that Bill Clinton invoked in his

very first campaign speech, at Georgetown University in December of 1991, and that he has reiterated many times since: namely, that the promotion of democracy is a means of advancing American interests as well as American values. Why? Because democracies are more likely to be reliable partners in trade and diplomacy, and more likely to pursue foreign and defense policies that are compatible with American interests. Democracies are less likely to go to war with each other, to unleash tidal waves of refugees, to create environmental catastrophes, or to engage in terrorism. As borders become more porous and as people, technologies, ideas, weapons and money, dirty and otherwise, flow back and forth — Americans have an increasing stake in how other societies around the world govern, or misgovern, themselves. The larger and more closely knit the community of democracies, the safer and more prosperous we Americans will be.

Democracy's Challenge

But new democracies present a special challenge for American diplomacy. Our experience of the last few years, while encouraging in many respects, has also contained plenty of vivid reminders that democratic politics are often messy, unpredictable, fraught with contradictions between the exigencies of getting elected or re-elected on the one hand and the requirements of good governance and sound statesmanship on the other. This is true even in countries with long histories of representative government and well-established institutions, including our own. It is hardly surprising, therefore, that in fledgling democracies — in countries where the wounds of civil war are still raw and where the legacy of tyranny is still heavy — politics can be especially volatile. The ruling elites of the old regime and violent factions look for ways to dominate the new order — or exploit the new disorder. Newly elected leaders, unsure of their hold on power or too sure of their infallibility and indispensability, sometimes use a

heavy hand to silence the opposition, loyal and otherwise.

Democracy depends on the effectiveness of institutions such as a non-political police force and an independent judiciary and on civilian control of the military institutions that are either altogether missing or woefully inadequate in countries just leaving behind a dictatorial past. Moreover, institutional reforms must be matched by a corresponding change in public attitudes, or what is sometimes called political culture. Democracy depends on a willingness to reconcile with old enemies and tolerate the expression of dissenting viewpoints. It means building bridges across different segments and classes of society.

Conversely, democracy tends to break down — or in the case of transitional states, never get off the ground — when voter allegiance is excessively or exclusively based on ethnic, clan, religious or regional loyalties, rather than on the choice of parties or candidates for their proposed programs and policies. When group affiliations become the pretext for denying individual citizens their basic human and civil rights, then democracy is in mortal peril.

Another point: all democracies — and all elections — operate under the slogan, "It's the economy, stupid!" And many incipient democracies must grapple with huge economic disadvantages. Poverty, underdevelopment, and economic stagnation should not be alibis for tyranny, but there is no question that they are obstacles to democracy. Yet those conditions are often present in states that have just emerged from dictatorship. In much of Africa and Asia, they have the added burden of unsustainable population growth.

Even with a well-intentioned, enlightened political leadership, a country that remains wretchedly poor is much less likely to sustain democratic rule. Without enduring, broad-based economic development, voters are likely to become disillusioned with politics and politicians, and thus with democracy itself.

In the post-communist world espe-

cially, a sense of relief and good-riddance over the dismantlement of the old, inefficient top-heavy command system has given way to widespread resentment at what often seems to be the capriciousness and inequity of the market, and insecurity over the absence of a safety net. Newly enfranchised citizens tend to have unrealistically high expectations of what their elected leaders can accomplish, how long it will take and with what degree of attendant hardship and pain. When those expectations are disappointed, voters become vulnerable to demagogues, to purveyors of foolish, even dangerous nostrums based on nostalgia for the past or fear of the future.

For all these reasons, we have made it a priority of U.S. foreign policy to help nascent democracies through their period of greatest fragility. We have done so through a variety of mechanisms, some bilateral and others multilateral, and we have done so in ways that concentrate on the economic as well as the political infrastructure of countries in transition.

The difficulties through which emerging democracies are all going should not, by any means, discourage us from supporting democracy in those countries or anywhere else. Quite the contrary. Freedom of choice and freedom of speech will, over time, help move these and other new democracies toward civil society, rule of law and the other attributes of states that will be welcome as fully integrated and constructive members of the international community.

Unending Chaos

We should resist and reject the notion that some races or cultures are unsuited to democracy. We should be wary of stereotypes about national character, particularly ones that would, if they become the basis for our policy, consign whole nations to tyranny or civil war or unending chaos on the perverse theory that that is the fate they deserve, or that that fate is encoded in their genes.

Still, the more somber and cautionary aspects of the four cases I've cited

should deter us from speaking about a “democratic revolution.” Democratization is, by definition, not revolutionary at all — it is evolutionary. No society can transform the way it governs itself overnight. Even with the support of the United States and our democratic allies, it will take decades or even generations for many of these nations to make the transition. That is in part because establishing a real democracy means more than simply drafting a constitution and having a single election, or even two or three elections on schedule. Our own Founding Fathers understood that the piece of paper they drafted in 1787 — 11 years after we achieved independence — depended on the rule of law and on guarantees of individual liberties. And it’s worth recalling that African-Americans did not receive the protections contained in the Bill of Rights until the 1960s, nearly two centuries late. In short, our own experience argues for some forbearance of others who are in the early stages of an experiment that is in our interest to see succeed.


Our recent and current experience also argues for fundamental confidence that the benefits and sustaining power of democracy will prevail over the imperfections and the setbacks. Leaders of — and apologists for — authoritarian regimes sometimes claim that backward, or developing, countries are somehow “not ready” for democracy. Yet the last half century has shown that poor nations need democracy as much as rich ones, and they need it for economic as well as political reasons. Even in the world’s poorest countries, from Haiti and Nicaragua to Malawi to Albania to Cambodia, democratically elected leaders have shown themselves more inclined than their authoritarian or totalitarian predecessors to choose the economic and social policies that

will best benefit their people. Elected leaders, because they know they will be held accountable at the ballot box, are more likely to pay attention to their citizens’ basic needs. The Harvard economist Amartya Sen has argued, with a good deal of supporting data, that “no substantial famine has ever occurred in a country with a democratic form of government and a relatively free press.”

Likewise, in more developed states, from Argentina to Estonia to the Philippines, popularly elected governments are more likely to have the legitimacy — that is, the support of constituents — to make painful but necessary economic choices. And as

tic impediments to democratization, the international environment for the process is increasingly conducive. Democratization in Russia, Cambodia, Haiti and South Africa is taking place against the backdrop of globalization, interdependence, the communications revolution — that same complex of trends, some revolutionary and others evolutionary, that helped tear down the Iron Curtain, empower the people of the Philippines and send the colonels back to the barracks in Latin America during the 1980s. All those facts of international life will continue to have a salutary effect on the national life of countries struggling with democratic transition.

America’s role as a supporter and sponsor of that process will continue to be critical — and it will continue to pay dividends to us. We gain not just from the success of democracy in other lands, but also from our own championship of the cause of freedom. Our nation’s track record of standing up for democratic ideals gives us a unique authority and credibility in international affairs. The world continues to look to us for leadership not just because of our economic and military might, but also because we are at our best when we are promoting and defend-

ing the same political principles abroad that we cherish here at home. Our foreign policy, in short, must continue to be based on our nature as a society as well as on our interests as a state. This is not a question of charity or “social work” — it’s a matter of securing and expanding the community of nations that share our values and thus have compatible interests. It is an investment in our long-term security. The watchwords of this enduring feature of American foreign policy should be: patience, steadiness and focus. If animals could talk, that’s what you’d expect to hear from a hedgehog. 



The hedgehog, “who knows one big thing.”

We will advance all of [our] objectives... if we also strengthen associations among established democracies and support the transition to democracy in states that are emerging from dictatorship or civil strife. Democracy, in short, is the one big thing that we must defend, sustain and promote wherever possible, even as we deal with the many other tasks that face us.

we move into the next century, open societies will be the best prepared to take advantage of emerging information technologies: in the age of the microchip and the modem, economic development will falter when citizens must fight suspicious, dictatorial authorities simply for the right to own a fax machine, make copies of a document, or talk on the telephone. The truth will be increasingly apparent not just to dissidents and reformers in those countries, but to the powers-that-be as well — or at least to the take-over generation.

A final point: whatever the domes-

ALBRIGHT ENCOURAGES POLITICAL SOLUTIONS IN AFRICA

The United States envoy to the United Nations Madeleine Albright visited four African nations which have been devastated by cataclysmic violence. Her message in Angola, Burundi, Liberia, and Rwanda was the same: seek reconciliation through political rather than military solutions.

By George Moffett

From *The Christian Science Monitor*

When she traveled to Burundi in January, Madeleine Albright was armed with a warning and the advice that will be needed to keep the Central African nation from sliding into chaos.

"In Burundi, you describe what's happened in other African nations where civil wars are being fought, and you say, 'I've seen your future,'" the U.S. ambassador to the United Nations says she told government and rebel leaders. "You have a choice to make if you don't want to go down the road of a 20-year civil war."

Ethnic fighting has brought Burundi to the brink of the kind of "cataclysmic violence" that has devastated three other African nations — Liberia, Angola, and Rwanda — where as many as 1 million people have perished over the past five years.

Following a week-long visit to all four of those nations to urge reconciliation and to jump-start peace efforts, Ms. Albright points to a common denominator: all four conflicts are struggles for personal power among extremists "who have no stake in order but rather in chaos."

The U.N. envoy says that for humanitarian, strategic, and economic reasons, the United States has a role to play in ending Africa's lethal ethnic and civil wars.

"That's not to say we have to do it all, and we can't do it everywhere," Albright said in an interview shortly

after her return. "But we do have to do something. Our responsibility should be commensurate with our interests."

The four African nations are at different stages of conflict. In Rwanda, where fighting between ethnic Tutsis and Hutus two years ago claimed at least a half million lives, "the worst appears to be over," Albright says. The task now is to make peace with the past, which includes bringing the main perpetrators of the genocide to justice before an international war-crimes tribunal. "They have to deal with the horror of what they did before they can move on," Albright says.

In Angola, a civil war that became a proxy war between the U.S. and the Soviet Union during the Cold War is winding down after two decades. "I have a sense that the Angolans are tired of war and ready to move on. That's very encouraging," she says.

After several false starts, the two sides have agreed to back a 1994 peace agreement under which anti-government rebels are to be given the choice of joining the Angolan army or disbanding. After meeting with Albright, the leader of the rebel forces, Jonas Savimbi, agreed to send more than 16,000 guerrilla fighters to a U.N. assembly camp where they are to be disarmed.

In Liberia, a 1995 peace accord designed to end a five-year civil war that has left 150,000 dead is more fragile. "Liberia has hit rock bottom, but the leaders don't know that yet," Albright says.

The accord calls for the disarmament and disbanding of warring militias, one of which clashed with U.N.-

backed African peacekeepers on the eve of Albright's visit. During a visit with the country's six-man ruling council, she warned that the nation must not "slide into the abyss of a devastating civil war again."

In Burundi, two years of ethnic fighting threatens to devolve into full-scale civil war and genocide. "Burundi is teetering on the edge of national suicide," Albright says. So far the government has resisted preventive measures suggested by U.N. Secretary-General Boutros Boutros-Ghali, including setting up an international rapid-reaction force.

"They see his recommendations as interference rather than as assistance," Albright says. She says she warned Burundians not to fall into "a hopeless abyss of violence" and persuaded the government to step up security for relief operations, which have been suspended for safety reasons.

"What I found interesting," Albright says, "is that all the leaders (in the four countries) figured out some way to blame someone else for what's going on. My message is that it is your responsibility."

The international community can help by providing programs that will induce militias to lay down arms, she says. One program would train ex-soldiers to rebuild war-damaged homes. "You have to show what the rewards of disarming are," Albright says. "To the extent that the international community can persuade these countries to learn from each other that a political solution is always better than a military solution, then we will have accomplished something," she says. ■

CORRUPTION, GOVERNMENTAL ACTIVITIES, AND MARKETS

Corruption distorts the role of government and is costly to society. Governments can minimize the opportunities for individuals to engage in corruption by reducing the role of the state in the economy.

By Vito Tanzi

From Finance and Development

Corruption comes in many shapes and forms. It is very difficult to define and, at times, even more difficult to identify. Here we shall simply define it as the intentional noncompliance with the principle of “arm's length relationship,” which states that personal or family relationships ought not to play a role in economic decisions by private economic agents or government officials. This principle is essential for the efficient functioning of markets.

The term corruption comes from the Latin verb *rumpere*, to break, implying that something is broken. This something might be a moral or social code of conduct or, more often, an administrative rule. For the latter to be broken, it must be precise and transparent. Another element is that the official who breaks the rule derives some recognizable benefit for himself, his family, his friends, his tribe or party, or some other relevant group. Additionally, the benefit derived must be seen as a direct *quid pro quo* for the specific act of “corruption.” This simple description reveals several potential difficulties.

First, there must be evidence that a particular rule has been broken. This requires that all the rules be precisely stated, leaving no doubt about their meaning and no discretion to public officials. But what about cases where rules are not precise or where bureaucrats are specifically given some discretion? For example, legislation in

many countries has left the granting of tax incentives or import licenses to the discretion of officials. It is up to them to decide whether an investment or import is “essential” or “necessary” to the country. These officials are often the sole interpreters of what those terms mean. Thus, in a way, they are in a position of monopoly, since they can grant or deny these permits and the permits cannot be obtained from other sources.

But are rigid rules the answer? Over the years, there has been a lot of controversy among economists on whether economic policy should be guided by precise rules or whether it should have an element of discretion. Evidently, the greater the element of discretion, the greater the possibility that it might be used to someone's (rather than the public's) advantage. Thus, the simplest course to prevent corruption might be to create precise and rigid rules. But, of course, some rules may be created just to give some government officials the power to benefit from their application. Often, it is precisely the excess of rules that creates a fertile ground for corruption. Furthermore, if rules are too rigid, they can create obstacles to the smooth functioning of the economy or a particular organization.

Favor or Bribe?

Second, when social relations tend to be close and personal, it may be difficult to establish a direct link between an act that could be assumed to reflect corruption and a particular payment for it. An employee who uses his official position to favor acquaintances — say to help them get a valuable license,

a government contract, or a government job — may be compensated with an immediate or explicit payment (clearly a bribe). Alternatively, he may be compensated, at a much later time, with a generous gift to his daughter when she gets married, or with a good job offer for his son when he completes his studies. In other words, there may not be any direct, explicit, and immediate compensation for the favor. The payment may be delayed in time and, when made, it may appear completely unconnected with the favor received. In many cases, the “corrupted” and the “corruptor” may never even have discussed the payment. It would simply be understood that a favor granted today creates a presumption or even an obligation for a reciprocal favor tomorrow. In other words, it contributes to the growth of the giver's “social capital.” In some societies, a “shadow market” for favors develops with demand and supply and with implicit prices. This market often does not use money but trades in what could be considered the equivalent of IOUs. Implicit prices for favors — and, possibly, even for future favors — are established. In this market, it becomes very difficult to separate genuine favors from those that are close to being bribes, and it is thus difficult to clearly identify bribes and punish those who receive or pay them.

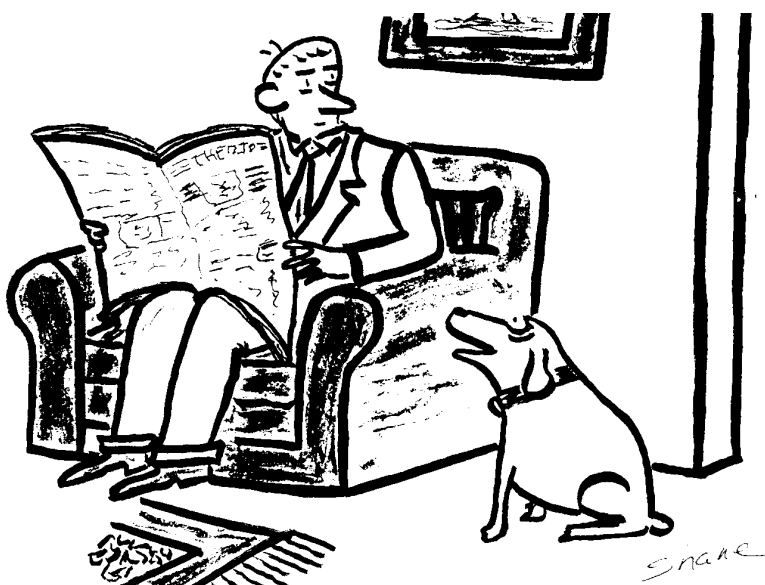
This takes us to the third and final difficulty. In societies where family or other kinds of relationships are very strong, and especially where existing moral or social codes require that one help family and friends, the expectation that the public employee will rou-

tinely apply arm's-length principles in his relations with friends and relatives is unrealistic. In these societies, the type of ideal bureaucracy advocated by Max Weber will prove very difficult to install. In the Weberian ideal, bureaucrats would work within a set of principles in which there is no place for personal relations or cronyism and, above all, there would be no confusion of public with private interests. Life in the real world, however, is likely to be very different. Centuries-old and widely accepted social norms will often prove more powerful as guides to behavior than new and often imported rules based on arm's-length, impersonal, and universal principles. When this reality is ignored, disappointment is likely to follow. This explains why some reforms imposed in developing countries, promoted by foreign advisors and implicitly requiring or assuming arm's-length relationships, often do not survive the test of time.

In these societies, the cost of the corrective role of the government in the market is likely to rise. Economic relationships within the private sector will also be affected, thus rendering more difficult the establishment of a well-functioning market economy. To argue that the personal relationships that come to be established between public sector employees and individuals who deal with them reflect a "corrupt" society may be correct in a legalistic sense, but it misses the point that these relationships simply reflect different social and moral norms.

The instruments that make corruption possible are many. Important examples include: (a) administration of government regulations (such as the issuance of licenses and permits, and

zoning and other sorts of regulation that may have great economic value); (b) fines for alleged or actual violations of legal norms; (c) control over government procurement contracts; (d) control over public investment contracts that can favor some areas or contractors over others; (e) tax incentives, subsidized credits, and multiple foreign exchange rates; (f) controls over hiring and promotions; (g) controls over the assignment of entitlements and other benefits (disability pensions, scholarships, subsidies); (h) controls over access to underpriced public services (such as electricity, telephone,



I need \$5. It's my week to pay off the dog catcher.

and water); and (i) tax administration decisions (auditing, determination of presumptive income, etc.).

These examples are far from exhaustive. The greater the use of these instruments by a country, the greater the potential for corruption. Control over these instruments can give government employees great power, which — given the right social environment, the right incentive systems, and weak and uncertain penalties — may allow them to extract large financial advantages (rents) for themselves or for their families and friends. When civil servants appropriate, for their own use, the instruments that the government has at its disposal to influence the economy and to correct the

shortcomings of the private market, they reduce the power of the state and its ability to play its intended, and presumably corrective, role. Assuming that government policies had been, or would have been, guided by the traditional criteria that justify governmental action, corruption distorts the end result in the following ways.

Special Tax Treatment

It distorts the allocative role of government:

— By favoring taxpayers who, because of the special treatment they receive from tax inspectors, are able to reduce their tax liabilities. The loser will be the market, which will function less efficiently.

— Through the arbitrary application of rules and regulations. This may be particularly important in the allocation of subsidized credits and import, zoning, and other permits. If, for example, these instruments had been developed to assist genuine "infant industries" but ended up assisting others, the corrective role of the government would be distorted, and, once again, the functioning of the market would be damaged.

— Through the allocation of public works or procurement contracts to enterprises that win competitive bids not because they can do the job at the lowest cost but because of their connections and the bribes they pay.

— Through the arbitrary hiring and promotion of individuals who would not have been selected or promoted on the basis of fair and objective criteria. The selection of these individuals will damage the economy not only because of the poor decisions and the number of mistakes they make but also because of the resulting labor-market

distortions. The selection of these individuals will damage the economy not only because of the poor decisions and the number of mistakes they make but also because of the resulting labor-market

distortions — discouraging more able but less well-connected individuals from pursuing particular careers.

— Some individuals will try to get jobs not in the areas in which they might use their particular ability for productive use but in areas that provide scope for taking advantage of their special positions. Such behavior, termed “rent seeking,” will be stimulated by corruption.

Corruption distorts the redistributive role of the government in myriad ways. If the well connected get the best jobs, the most profitable government contracts, the subsidized credit, foreign exchange at overvalued rates, and so forth, government activity is less likely to further the goals of improving the distribution of income and making the economic system more equitable.

Finally, in all its ramifications, corruption is likely to have negative implications for the stabilization role of the government, if that role requires, as is often the case, a reduction of the fiscal deficit. This will occur because corruption will most likely raise the cost of running the government while it reduces government revenue. The allocation of disability pensions to people who are not disabled, the granting of government contracts to people who pay bribes to obtain them and thus raise their costs, and other corrupt practices that distort spending decisions increase the total cost of providing government services. By the same token, government revenue falls when potential tax payments are diverted or are never collected. In some developing countries, the effective tax burden — that is, the ratio of all tax-related payments made by taxpayers to national income — may be significantly higher than the official tax burden because some payments end up in the pockets of tax inspectors.

Corruption has a corrosive effect. The belief that everyone does it is likely to lead to a situation where many people, if not everyone, will do it. As with tax evasion, imitation will prove to be a powerful force.

Several factors determine the extent

to which corruption plays a significant role in a country: (a) the role of the state and the range of instruments it uses in fulfilling that role; (b) social characteristics of the society (for example, the extent to which arm's-length relationships prevail in social and economic relations); (c) the nature of the political system; and (d) the penalty system for acts of corruption.

Reducing Government


Especially in societies where arm's-length relationships are unlikely to be enforceable (because of the close and continuous contacts among closely knit groups of citizens who tend to personalize most relations), the larger the role of the state, the greater the probability that its instruments will be used by public officials and civil servants to favor particular groups in addition to themselves. When this happens, the cost of government rises while the ability of government to correct the shortcomings of the market falls. In other words, the effective control that the government has over the economy is reduced. In this situation, the best policy for decreasing corruption will be to reduce opportunities to engage in it by scaling down the government's role in the economy. Both the demand for, and the supply of, corruptive practices can be contained by a sharp reduction of that role in all its aspects, such as spending and taxing activities and, especially, issuing and enforcing economic regulations.

When corruption in the Weberian sense characterizes modern states, it can be reduced by increasing penalties on those who engage in it; by increasing the transparency of the rules, regulations, and laws; and by strengthening controls on civil servants. However, in more traditional societies, this option, while still worth pursuing, is not likely, by itself, to give very positive and, especially, permanent results. History is full of examples of campaigns against corruption (and against tax evasion) that started with great fanfare but did not accomplish much over the long run. By the same token, one

should not officially sanction corruption by, for example, reducing the wages of civil servants on the assumption that they are getting payments under the table. Unrealistically low wages always invite corruption and, at times, lead society to condone acts of corruption. This is why repression of public sector wages, if carried too far, is never a good policy.

Because social intimacy creates the environment that promotes corruption, a policy that has been effective in some cases (for example, tax administration) in reducing corruption is that of forced and periodic geographical mobility for civil servants, to remove them from the region where they have their closest social or family relations and prevent the formation of new relations. Some forms of social relations take time to develop, so that, for a while, after a government official has moved to a new region or taken up a new function, such relations will not play a large role in the contacts between bureaucrats and the citizens who depend on them. Thus, periodic mobility, especially in a large country, could effectively reduce bureaucratic corruption.

Economists have developed elaborate and elegant theories about the workings of markets and the role of the public sector in those markets. A normative role has been assigned to the government to correct market failures. In recent years, public choice economists have stressed that, in addition to market failure, political failure could result when political actions or the actions of civil servants are influenced by objectives other than the need to correct market failures and to promote the public interest.

The more that real-life bureaucracies diverge from the Weberian ideal, the less control the government will have over its policy instruments, and the less able it will be to correct the imperfections of the market. In other words, the less legitimate and justified will be the corrective role of the government. A scaling down of that role is likely to reduce the scope of corruption. 

AID DOESN'T HELP POOR NATIONS

Is foreign aid actually counterproductive? The argument that U.S. economic assistance creates a culture of dependency and inhibits economic reform is heard with increasing frequency in the halls of the U.S. Capitol, where Congress is searching in every direction for economies in an attempt to put its own economic house in order.

By Bryan Johnson
and Thomas Sheehy

From *The Journal of Commerce*

Faced with budget cuts, foreign-aid bureaucrats continue to insist that U.S. assistance is vital to the economic well-being of less developed countries. The argument, of course, has a warm fuzzy feeling to it. But the evidence indicates something else: foreign aid creates a culture of dependency and discourages the kind of responsible economic reform needed to create vibrant, growing economies.

We have just completed a sweeping survey of economic freedom around the world - called the Index of Economic Freedom - covering 142 countries, from Albania to Zambia. Our research proves conclusively that foreign aid does more harm than good. Poverty, we have concluded, is largely a condition politically imposed on people through ill-conceived and repressive economic policies. No amount of foreign aid can rescue a country with a repressive economy from its own self-destructive behavior.

Consider this: 76 countries on our survey have economies that to one degree or another are "unfree" by normal economic standards. By that we mean they levy confiscatory taxes, erect barriers to trade, make businesses jump through unnecessary regulatory hoops, have currencies that are politically manipulated and so forth. Of these 76 countries, 34 have received U.S. economic assistance for periods ranging from 35 to 51 years.

Of those 34 countries, 14 are poor-

er today than they were 30 years ago. The economies of another dozen are essentially unchanged; they have experienced little or no appreciable economic growth in 30 or more years.

In other words, of the 34 long-term recipients of U.S. foreign aid that significantly restrict economic freedom, just eight are better off economically than they were 30 years ago. The economies of 26 have remained stagnant or regressed.

A strong case can be made that long-term recipients of foreign aid actually are hindered by such aid. Why? Because many countries would rather receive donations from the United States and the rest of the developed world than make the difficult economic reforms needed to produce prosperity. Consider the following:

Haiti has been dependent on U.S. foreign aid for 51 years, yet it is one of the poorest countries in the world. During this half-century, Haiti has received almost \$1,000 million in foreign assistance from the United States alone, and most of that was development aid. Haiti's per-capita gross domestic product was \$360 (in constant 1987 dollars) in 1965. By 1992, per capita GDP was down to \$279.

Similarly, Somalia has received almost \$1,000 million in U.S. foreign aid in the last 40 years. Somalia's per-capita GDP was \$123 in 1965. It was down to \$108 by 1992. Niger has received more than \$500 million in U.S. assistance over the last 36 years. Per-capita wealth, meanwhile, shrunk from \$605 in 1965 to \$275 in 1992. (All dollar values are expressed in 1987 dollars.)

The list goes on. All of these countries have at least one thing in com-

mon: they are ranked as either "mostly unfree" or "repressed" on our Index of Economic Freedom.

While these and other long-term foreign-aid recipients continue to wallow in poverty, some once poverty-stricken countries and territories now have booming economies. For example, Hong Kong's per-capita wealth increased nearly 500 percent between 1965 and 1992, from \$2,279 to \$10,223, in constant 1987 dollars. Hong Kong did not achieve this with foreign aid. By 1965, the world's largest foreign-aid donors had cut off Hong Kong from virtually all assistance. Over the next several years, Hong Kong cut taxes, reduced government regulation, freed up its banking sector, and turned itself into a vigorous open international trading center. It now has the freest economy in the world, according to our index, and residents are enjoying the benefits.

The story is similar elsewhere: in Singapore, Taiwan, South Korea and Chile, for example. The key in each of these cases is economic freedom: the countries that grow the fastest do so because their economies are free. The countries that remain impoverished, meanwhile, remain that way because their economies are unfree. Aid is frequently a curse, used to subsidize repression and failure.

While reducing poverty, eliminating hunger, and reducing infant mortality are worthy goals, the best way to achieve them is by increasing economic prosperity around the world. Wealthy countries can accomplish such things; poor countries can't. And the surest route to prosperity, we now know, is through increased economic freedom, not increased funding. ■

AFRICA: AN EMERGING SUCCESS STORY

In these excerpts from a recent speech at Howard University in Washington, D.C., George Moose, Assistant Secretary of State for African Affairs, discusses Africa's continuing importance to the United States, noting that the continent's progress toward democratization and economic liberalization makes it a "success story" worthy of continued support and involvement from America.

By George Moose

Standing here in the middle of Washington, D.C., Africa's savanna, tropical forests, and red soil seem very far away indeed. But if, in this part of our global village, Canada is our closest neighbor, Africa is just down the street. Dakar, the capital of Senegal, where I served as ambassador for three years, is less than eight hours' flying time from New York. Today I would like to examine why it is important for us to remember that fact, what effect the continuing partnership between Africans and Americans has on you and me, and how that partnership will become even more important to our children.

Ten years ago, a speech on Africa by an American diplomat would have been very different from what I am going to talk about today. It would have placed the continent and our interests there within the context of the Cold War. We would have talked about which leaders were in our camp and which were in the Soviet camp, why some autocrats were tolerable, what we were doing to help Western-leaning countries build up their militaries, and why we were supporting certain insurgent and resistance groups. Our overriding concern would have been the threat of communist encroachment.

Today, it is a much different world and the United States stands alone as the unquestioned leader of that world. What matters most to us changed dramatically with the crumbling of the Berlin Wall. With no single, overriding threat to the physical security of our nation, we can redouble our concern

for the security of the individual. We can pay more attention to issues of jobs, environment, health, immigration, crime, terrorism, and drug trafficking.

However, we remain deeply concerned with matters of international stability and in particular the danger of nuclear proliferation. The era of U.S. and Soviet nuclear arsenals squared off against each other has been superseded by a new situation in which we are much more concerned by the prospect of rogue states or terrorist groups obtaining access to weapons of mass destruction. It is for this reason that we recently worked so vigorously in pursuit of an extension of the Nuclear Non-proliferation Treaty, a successful effort which was made possible, I must say, by the near unanimous support of the 48 countries in the sub-Saharan Africa region.

The new era has changed what is important to Africans, too. Anguished by repressive regimes that left them worse off than their parents were 30 years ago, Africans are demanding with increasing vigor the right to participate in democratic elections. They are demanding what we take for granted — more input into decisions that affect their lives. They are less impressed by the need for large militaries and more concerned about ways to increase crop production and encourage family planning. Like Americans — and this is one thing that has not changed over the years — they seek to pass on a better tomorrow to their children.

During the 20 years I have worked on African issues, I have met people who assume that it is logical for me to be interested in Africa because I am an

African-American. Indeed, they are right — Africa is of great interest to me because my ancestors came from there. But Africa is also pertinent to me because I am an American. It is hard to imagine that a continent that represents 10 percent of the world's population and one-quarter of its land mass would not be important to our country. Indeed, our 48 contiguous states would fit comfortably within the boundaries of the Sahara Desert.

The products of Africa are the staples of our everyday lives. Africa's mineral resources are rivalled only by those of our own continent. Zimbabwe and South Africa supply nearly half the chromium used in the U.S. and together possess 78 percent of the world's reserves. Chromium is an essential element in the production of stainless steel. Zaire and Zambia supply almost half the cobalt used in the U.S. and have 59 percent of the world's reserves. Cobalt is used in machinery, cutting tools, and jet engines. South Africa supplies almost half the platinum-group metals used in the U.S. and has almost 90 percent of the world's reserves. These metals are used in the automotive, electrical, and petroleum-refining industries. In addition, Africa accounts for nearly half of the world's production of bauxite, diamonds, and palladium.

In the field of agriculture, it produces more than half of the world's cocoa and a significant proportion of other tropical crops. Many of these commodities make our lives richer — beginning with the coffee many of us have difficulty functioning without each morning.

Africa holds yet untapped econom-

ic potential of importance to us. When my friends in business talk about their search for new markets, I think of Africa's 600 million people and the potential they hold for U.S. sales, services, and jobs. By the year 2000, four out of five consumers will be in what is now referred to as the developing world, many of them in Africa. That represents a formidable potential for American farms and industry.

Just as Africa's resources and potential markets are important to the global economy, so are its rivers and rain forests critical to the future health of the global environment. The rain forests of Central Africa are second in importance only to those of the Amazon. Since 1980, nearly one-quarter of these forests have disappeared. That loss and the accompanying land degradation pose problems not only for Africa, but for the whole of the global environment.

History binds us to the African continent in many ways, as is reflected in the simple fact that 13 percent of our people are of African descent. As a diplomat, I am

mindful that Africa was one of the first places where we established overseas missions. The United States was barely 10 years old when, in 1799, it sent one of its first envoys to the Cape Colony, now South Africa. Another consulate was established in The Gambia in 1834; and in 1850 we opened a diplomatic office in Angola. Liberia, of course, was founded in 1840 by former American slaves.

An American Supreme Court justice, Thurgood Marshall, helped to write Kenya's first constitution. In this century, American missionaries, educators, and social activists — black and white — worked to build much of Africa's health and educational infrastructure. Today, that important work is being carried forward by scores of private American voluntary organizations.

At this juncture, with our federal budget coming under increasing strain, it is important that we continue to allocate sufficient resources to follow through on our achievements on the continent and pursue new, mutually beneficial objectives. Africa remains a place where person-to-person diplomacy is particularly effective and a small investment will go a long way. It is a place where, indeed, one man or one woman can make a difference.

We in the department have long held to a belief that our country has sufficient interests around the world that we should be engaged everywhere in a diplomatic sense. This is known as "universality" in our jargon. Now, with resources tight, we must resist the temptation to disengage, in particular because four decades of diplomatic

years ago, I worried about seven conflicts in Africa; today all but two have moved toward some form of reconciliation. While we in the State Department still concern ourselves with refugees and food shortages, we spend more and more time helping plan the repatriation of refugees and the demobilization of no longer needed armies. In 1989 we could count only four African democracies. In the six years since, democratic elections have been held in nearly 30 countries, with more planned in the near future. Malians, Ghanaians, Beninese, Ethiopians, Eritreans, and Malawians have taken control of their destinies and embraced democratic principles that match our own. As an American, I applaud their efforts.

Certainly, we cannot turn a blind

eye to the problems of stagnant, state-run economies and government corruption. We must continue to press the remaining autocracies, despotisms, and kleptocracies of Africa toward reform and progress in the quality of life of their people. But let's not turn a blind

eye to nascent democratic governments that have had the courage to make hard and often risky choices, opening their societies to greater pluralism, increased participation, and the dynamics of market-driven economic principles. Often, transition demands difficult sacrifices in the short term; the hope is for more dynamic societies and robust economies in the future.

For every problem in Africa there is a possibility. Those who know the continent well have found that the resilience, the courage, and the potential of its people are as remarkable as the challenges they face. The policies we in the Clinton administration seek to apply are designed to meet those problems and build on that potential. Our aim is to help strengthen the capacity of Africans

“What we want is for Africa to participate fully in the globalization of prosperity. The well-being of our neighbors assures our own well-being. Peace and political stability in Africa mean greater security for us.”

and developmental assistance now seem to be reaching fruition.

There is no doubt that the task in Africa is daunting. Africa's life expectancy and adult literacy are the lowest in the world, while its population growth rate is the highest. For over a decade, sub-Saharan Africa's economic growth rate has been only half that of the rest of the world. The continent has been the battleground for some of the world's most destructive civil conflicts and supports some 18 million refugees. When many of us in America think of Africa, we think all too often of Somalia or Rwanda — images of horrible genocide or endemic starvation. Some take these images as Africa's past, present, and future. I do not.

When I took office some three

themselves to manage their destinies.

First, we seek to support African efforts to establish democratic governments and institutions. We want to use our influence to promote real democracy, stressing transparent governance, the rule of law, and respect for human rights. What we seek and need are stable, functioning democratic governments that are able to represent the wishes of their citizens and can serve as responsible partners in solving pressing global problems. While some of the countries attempting the transition to democracy may falter, most are progressing steadily along that path.

Second, we want to promote an end to current conflict, and help prevent future ones. In countries such as Rwanda, Burundi, Liberia, Somalia, Angola, and Mozambique our diplomats are actively engaged in reconciliation efforts. We are also working to strengthen the capacity of African organizations to engage in conflict prevention and regional peacekeeping initiatives.

Third, we are using our vast experience in international development and business to help Africans achieve sustainable economic growth, so that the future will be better than the present. That includes not only economic reform and business promotion, but programs to address environmental, population, and health concerns.

What we want is for Africa to participate fully in the globalization of prosperity. The well-being of our neighbors assures our own well-being. Peace and political stability in Africa mean greater security for us; economic growth there translates into greater opportunities for economic growth here. But we are also concerned about the globalization of poverty. Environmental catastrophes in Africa could mean global warming and ozone depletion for all of us. Disease, terrorism, and drug trafficking do not respect national borders. In the global village which is our world of today, we cannot afford to be complacent in the face of Africa's problems and sufferings.

Recognizing the challenges facing modern-day Africa, I am nonetheless

THE PILLARS OF U.S. POLICY TOWARD AFRICA

- ✓ Support of African efforts to establish democratic governments and institutions, stressing transparent governance, the rule of law, and respect for human rights.
- ✓ An end to African armed conflicts, along with a strengthening of the capacity of African organizations to engage in conflict prevention and regional peacekeeping initiatives to head off future conflict.
- ✓ Programs to help Africans achieve sustainable economic growth, including economic reform, business promotion, and programs to address environmental, population, and health concerns.


unabashedly optimistic about its future. To help you understand why, let me talk about South Africa. Of all the countries on the African continent, South Africa is the one that most gripped America's attention. Part of the reason for that interest is economic.

The South African economy has always been the leviathan of sub-Saharan Africa, dwarfing the rest of the region in terms of U.S. export potential (indeed, at present it is a market that exceeds in performance that of the countries of the old East Bloc). With the lifting of economic sanctions, business interest in South Africa is growing at a phenomenal pace.

But South Africa has captured the American imagination for reasons which go far beyond commerce. In South Africa, we see the same themes of the struggle for racial harmony, mutual respect, and equality of opportunity that have been and remain so much a part of the American crucible during this century.

Six years ago, many predicted grimly that South Africa was moving toward an apocalypse. But the good people of South Africa, white and black alike, refused to accept that destiny and instead they acted decisively, courageously, and selflessly to fashion a multiracial, democratic future.

In President Mandela, F.W. de Klerk, and others, South Africa has been blessed with leaders of political courage and wisdom. To be sure, some obstacles and problems remain. Among them are the possibilities of political violence, the challenge of achieving true economic inclusion, and the pressure of rising expectations in a country pressured by high population growth and suffering from the residual impediments to development resulting from the previous apartheid system. Despite the difficulties, there is good reason to be optimistic that this 20th century experiment in democracy and multiracialism, which so much mirrors our own, can and will succeed. When it does, South Africa will become another beacon of hope for other nations striving for democracy, not only in Africa, but around the world.

In my estimation, what is now unfolding in South Africa is a compelling human story. But it is also a reflection of a larger story that is being written across the African continent. America wants to be a part of this emerging success story. I trust that you will agree that the pursuit of that goal fully justifies and, indeed, compels our continuing interest and vigorous engagement on this continent of so much hope and beauty and promise. 

REFLECTIONS ON DEMOCRATIZATION IN AFRICA

A former U.S. Agency for International Development advisor considers improvements in democratization efforts in eastern and southern Africa, noting that while progress has been made, USAID needs to remain engaged in efforts to sustain long-term support for democratic governance.

By John W. Harbeson

From African Voices

The levels of democratization and governmental transparency have improved in eastern and southern Africa in the 1990s, but progress has been limited in scope, remains fragile in many instances, and is susceptible to decay and reverses. The key to future progress lies in continuing and deepening host-country and civil society's commitment to democratization.

Supporting democratic governance makes sense for several reasons. One underlying justification for U.S. assistance is that wars are less likely to occur between parties that are democracies than non-democracies. Another rationale is that because market economies promote sustainable development, which in turn reduces threats to peace, democratic governance and economic liberalization is a more productive use of resources than the humanitarian assistance that often becomes necessary when progress in these two areas lags.

The record of progress and commitment in eastern and southern Africa has been mixed. There are 12 significant categories of democratization where we can look for progress and commitment: civic education, political parties, interest groups, media, elections, civil society, constitutional reform, legislative strengthening, participatory and transparent executive branches, judicial strengthening, decentralization, and civil-military relations.

Overall commitment to democratic governance is highest in South Africa

and Eritrea and weakest in Ethiopia, Kenya, and Tanzania, in spite of staunch civil society activity in support of democratization in Kenya and a reasonably-drafted Ethiopian constitution. Progress has been most rapid in South Africa, despite daunting obstacles. And Mozambique, despite well-conducted elections, has perhaps the longest path to walk. There is evidence of retrogression in Kenya since the 1992 elections, especially within the last year, particularly in the areas of human rights and negative official commentary on the subject of democratization.

The key factors in the successful countries have been the relative strength and dedication of country leadership and civil society. The sharpest contrast in these two factors has been in Kenya, where civic activism in support of democratic governance has been strong and courageous, while governmental commitment has been weak. Though I do not suggest any necessary causation, host-country progress and commitment has been greatest where USAID's support has been strongest. And most discouraging in many countries has been the weakness and fragmentation of opposition parties; rarely has the key role of loyal opposition become institutionalized or effective.

If USAID is to successfully support democratic governance in Africa, some key issues must be addressed:

— **Conceptual Underpinnings:** Diplomatic engagement, policy dialogue, and technical assistance are required, not only to urge democratization on philosophical grounds, but to promote understanding of why democ-

racy works. Operational reasons for supporting democracy include: autonomous power centers help limit corruption and build political legitimacy by enlarging participation; governments which are held accountable to law and to constitutional guidelines promote stability by enabling citizens to believe in their legally constituted political orders, even when governments of the day alienate them through errant policies or misbehavior; and upholding equality in civic and political rights promotes stability because it gives citizens a reason to believe they have a stake in the political order.

— **Civic Education:** Broader efforts are needed to strengthen civic education and activism in support of democratic governance through school curricula and NGOs that monitor human rights and act as advocates in advancing democratization.

— **Decentralization:** Whether and how decentralization occurs is critical to the fate of democratic initiatives, and even stability, in much of eastern and southern Africa.

— **Careers in Democracy Building:** To accommodate a broadened, long-term democracy support agenda USAID will need to enlarge and enhance a corps of specialists in the design and implementation of assistance in promoting democratic governance in Africa and other less developed countries.

USAID should do more to promote progress in democratic governance. This sector will not escape the budget and staff cuts occasioned by reduced foreign assistance appropriations, but such reductions are unwise in terms of U.S. interest in the post-Cold War era. □

IN AFRICA, WRITING IS NOT FOR THE FAINT-HEARTED

African writers have almost always been compelled to draw attention to social issues, despite the danger that speaking out has too often presented. The pen has proven to be a powerful instrument, occasionally propelling its wielder into a position of power, but just as frequently placing the writer in harm's way.

By Judith Matloff

From *The Christian Science Monitor*

They say the pen is mightier than the sword. But this is often not the case in Africa, as the recent execution of Nigerian playwright Ken Saro-Wiwa showed.

For writers in the world's poorest and most volatile continent, literature is often inextricably linked to politics. In countries where people struggle to find food to eat, and wars and human rights abuses are rife, ignoring social problems would be irresponsible, if not impossible, authors say.

"The writer must carry himself like a walking question mark," says Atukwei Okai, the Ghanaian poet who is secretary general of the Pan-African Writers' Association (PAWA).

From Capetown to Cairo, playwrights, poets, and novelists have wielded the pen of struggle.

Some get to power. Augustinho Neto, Angola's first post-independence president, is a poet. Various officials of South Africa's new democratic government are writers, including ministers.

But more often than not writers on the front line of freedom of expression are the messengers who get shot.

Saro-Wiwa, one of Nigeria's leading writers, explained shortly before being hanged in November why he felt compelled as a prominent intellectual to organize his minority Ogoni ethnic group to oppose the military dictatorship.

"They (the Ogoni) had been sleepwalking toward extinction, not knowing what internal colonialism had done and was doing to them. It had fallen to me to wake them up from the sleep, and I had accepted in full the responsibility for doing so," he wrote in prison notes.

Saro-Wiwa's death was a worst-case scenario for the members of PAWA, Africa's largest writers' association based in Accra, Ghana, which groups 52 countries and more than 5,000 published writers. Many of them are familiar with jails, harassment, intimidation, exile, and poverty - the scourges of writers across the continent.

Political repression and lack of readers and publishing houses have driven many African writers into exile in London, Paris, and New York. Among them is Nobel Prize-winner Wole Soyinka, who is Nigeria's foremost pro-democracy campaigner abroad.


His country, Africa's most populous nation and one of its major wellsprings of literary talent, has been hampered by both a radically declining standard of living and a military dictatorship. These have depleted the country of writers and readers alike.

Take away repression, however, and a creative void can appear, as South Africa shows. A distinct loss of literary vigor has accompanied the demise of apartheid and censorship.

After so many years of being persecuted, banned, tortured, exiled, or imprisoned, some South African writers are having trouble adjusting to the new democratic age.

For instance, the book "My Traitor's Heart," by Rian Malan, was lauded when it was published in 1990 under apartheid. Writing that book, an anguished look at a fractured, violent society, was "an act of war, absolutely political," Mr. Malan says. Nowadays, he finds it difficult to write another book; he says he is a man without a theme, drifting without direction.

Nowhere can South Africa's literary sea change be better seen than at Raven Press, in Johannesburg, which established itself in the apartheid years as the main publisher of literature about the struggle.

The emphasis now is on nonpolitical works, says Monica Seeber, a publisher at Raven. "Times have changed. What we are doing is looking for new writers who are not obsessed with the past nor forgetful of what shaped them," she says. 

NEXUSAFRICA is a quarterly publication of the United States Information Service which aims to provide insight into current American thought and opinion about Africa. Material reprinted from other sources may not be republished without written permission. Articles in NEXUSAFRICA represent the opinions of the authors and do not necessarily reflect the views or policies of the U.S. Government. Inquiries should be addressed to the U.S. Information Service, Embassy of the United States of America.